



COUNCILMEMBER DONNA FRYE

City of San Diego
Sixth District

MEMORANDUM

DATE: April 10, 2006
TO: Mayor Jerry Sanders
FROM: Councilmember Donna Frye
SUBJECT: Proposed Financial Recovery Plan

I received an email today from your staff inquiring as to whether I had questions regarding your Financial Recovery Plan. I have a number of questions for which I would appreciate answers to before the City Council is asked to make a decision on this matter.

It is my understanding that California law requires that debt incurred by one generation must be paid for by that generation and not passed on to a future generation, and that this is also supported by the underlying principle of the Government Accounting Standards Board (GASB) Statements which is known as "Interperiod Equity." In order to better understand how the actuary for the San Diego City Employees Retirement System (SDCERS) arrived at the amount the City must pay for the Annual Required Contribution (ARC) for the pension, I have the following questions:

1. What is the city's total budgeted payroll for the upcoming fiscal year? What is the budgeted payroll for the General Fund? What is the budgeted payroll for the Enterprise Funds?
2. What is the amount of the ARC for Fiscal Year 2007-2008? Is it calculated using actuarial methods that comply with Interperiod Equity according to GASB and Intergenerational Equity according to California law? If not, what is the amount of the ARC calculated using actuarial methods that comply with Interperiod Equity and Intergenerational Equity?
3. What are the actuarial methods that were used to calculate the ARC? (for example, the amortization schedule, the assumed rate of return, withdrawal rates, mortality rates, etc.)
4. What is the normal cost (in dollars) used in the ARC? What is the percentage that was used to calculate the normal cost?
5. What is the amount of the payment (in dollars) used in the ARC to amortize the UAAL? What is the percentage that was used?

6. Which contingent liabilities were included in the ARC? (Corbett, 13th Check, Supplemental Cost of Living Allowance, etc.) What is the cost (in dollars) of each of the contingent liabilities included? If the contingent liabilities were not included, why not?

7. What is the total amount (in dollars) of the one-year interest on the Unfunded Actuarial Accrued Liability (UAAL) used in the ARC? What number was used for the UAAL in calculating this interest payment? What number (percentage) was used for the interest?

Thank you for your attention to this matter. I look forward to your response.

cc: Honorable City Councilmembers
City Attorney, Michael Aguirre
President, SDCERS, Peter Preovolos
SDCERS Assistant Retirement Administrator, Bob Wilson
Independent Budget Analyst, Andrea Tevlin
City Auditor, John Torell
Chief Operating Officer, Ronne Fromann
Chief Financial Officer, Jay Goldstone

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